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Understand Nkrumah visit to Moscow rescheduled for July. While not certain all technical problems will be resolved permit signing prior Nkrumah departure, do not consider desirable create artificial delays to avoid agreements possibly being signed prior Moscow visit. Such delays might easily cause political frictions and make Nkrumah more receptive to Soviet blandishment.

We also regret as Embassy does that present political atmospher makes impossible assure that Volta power used on regional basis. Timing does not appear appropriate for US raise with Nkrumah question regional cooperation based on Volta power. Furthermore question desirability such approach when Ghana actively pursuing regional integration program diametrically opposed to interest Ivory Coast and Togo. When regional cooperation attempts Brazzaville and Monrovia groups (to which these countries adhere) come to fruition, attitude Nkrumah may change and Volta project might then be integrated into regional program.

Latest

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Latest development is World Bank invited Nkrumah (tel May 17) send working level mission Washington continue talks and consider drafts Volta loan agreement. Discussions are also to cover GOG undertakings regarding development expenditures and external debt, and mission expected bring up-to-date info these matters. Bank's message indicates discussions proceeding meanwhile on smelter financing. When sufficient progress made both on dam and smelter financing, Bank expects move to definitive negotiations at which time Nkrumah may wish send Minister.

Message may leave some doubt Nkrumah's mind re progress already made VALCO financing arrangements and his reaction may be violent. Your recent reports re Nkrumah's attitude toward West and apparent trend toward fiscal irresponsibility very disturbing. Bank and US nevertheless proceeding with necessary negotiations recognizing that die not cast until final Volta and VALCO agreements signed. This connection, IBRD has agreed, if indicated during course upcoming negotiations, send senior officer (perhaps Black himself) to discuss at least necessity for responsible fiscal behavior. You should determine Nkrumah's reaction to Bank's message and use your best judgment whether to respond. If response made, should be reassuring re successful conclusion negotiations on VALCO financing, drawing on following:

Although detailed negotiations are time consuming, agreement reached in principle on ajor points at issue and negotiations almost

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almost completed on agreement for US (DLF) guaranty of up to 90 per cent of equity financing, and negotiations proceeding with Eximbank on debt financing of $96 million. Bank invitation issued with full knowledge US Government and demonstrates not necessary await conclusion VALCO talks prior beginning discussion detailed provisions Volta loan agreement. DLF and Eximbank are also prepared discuss loan details with GOG mission.

Should Nkrumah raise question transmission grid you may inform him US Government interested in participating up to $7 million in financing on loan basis (i.e. 1/2 Ghana, 1/4 IBRD, 1/4 US). Grid as revenue-producing project inappropriate for US grant aid.

Report developments soonest.

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